

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF PRESCOTT**

Ogemaw County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2006

# VILLAGE OF PRESCOTT

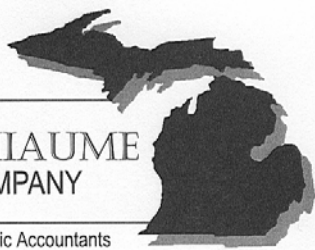
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BERTHIAUME  
& COMPANY

Certified Public Accountants



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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Prescott, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Prescott as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Prescott's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Prescott, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2006, on our consideration of the Village of Prescott's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Prescott's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

September 26, 2006

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF PRESCOTT

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## STATEMENT OF NET ASSETS

June 30, 2006

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 71,831	\$ 8,273	\$ 80,104
Receivables	23,602	32,037	55,639
Internal balances	(4,783)	4,783	-
Restricted cash and cash equivalents	-	6,615	6,615
Capital assets:			
Nondepreciable capital assets	74,327	19,073	93,400
Depreciable capital assets, net	<u>66,071</u>	<u>1,539,490</u>	<u>1,605,561</u>
Total assets	<u>231,048</u>	<u>1,610,271</u>	<u>1,841,319</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	5,046	10,410	15,456
Long-term liabilities:			
Due within one year	15,000	3,000	18,000
Due in more than one year	<u>45,000</u>	<u>337,000</u>	<u>382,000</u>
Total liabilities	<u>65,046</u>	<u>350,410</u>	<u>415,456</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	140,398	1,218,563	1,358,961
Restricted for:			
Debt service	-	6,615	6,615
Streets	62,921	-	62,921
Unrestricted	<u>(37,317)</u>	<u>34,683</u>	<u>(2,634)</u>
Total net assets	<u>\$ 166,002</u>	<u>\$ 1,259,861</u>	<u>\$ 1,425,863</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

		<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
	<u>Expenses</u>				
<b>Functions/Programs</b>					
<i>Governmental activities:</i>					
General government	\$ 22,671	\$ -	\$ -	\$ -	\$ (22,671)
Public works	28,781	-	47,998	-	19,217
Recreation and culture	4,107	-	-	-	(4,107)
Interest on long-term debt	<u>3,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,151)</u>
Total governmental activities	<u>\$ 58,710</u>	<u>\$ -</u>	<u>\$ 47,998</u>	<u>\$ -</u>	<u>\$ (10,712)</u>
<i>Business-type activities:</i>					
Sewer	<u>\$ 109,045</u>	<u>\$ 48,110</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 229,065</u>
Total business-type activities	<u>\$ 109,045</u>	<u>\$ 48,110</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 229,065</u>

continued

*The accompanying notes are an integral part of these financial statements.*

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	<i><b>Governmental Activities</b></i>	<i><b>Business- type Activities</b></i>	<i><b>Total</b></i>
Changes in net assets:			
Net (Expense) Revenue	\$ (10,712)	\$ 229,065	\$ 218,353
General revenues:			
Taxes:			
Property taxes, levied for general purpose	18,549	-	18,549
Grants and contributions not restricted to specific programs	24,656	-	24,656
Unrestricted investment earnings	192	79	271
Miscellaneous	<u>1,245</u>	<u>-</u>	<u>1,245</u>
Total general revenues	<u>44,642</u>	<u>79</u>	<u>44,721</u>
Change in net assets	33,930	229,144	263,074
Net assets, beginning of year	<u>132,072</u>	<u>1,030,717</u>	<u>1,162,789</u>
Net assets, end of year	<u>\$ 166,002</u>	<u>\$ 1,259,861</u>	<u>\$ 1,425,863</u>



# VILLAGE OF PRESCOTT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2006

	<i>Major Funds</i>			<i>Nonmajor Governmental Fund</i>	<i>Total Governmental Funds</i>
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Park Fund</i>	
<b>Assets:</b>					
Cash and cash equivalents	\$ 13,834	\$ 46,368	\$ 8,262	\$ 3,367	\$ 71,831
Accounts receivable	4,390	2,407	850	-	7,647
Due from other governmental units	8,030	6,295	1,630	-	15,955
Due from other funds	-	-	19,153	-	19,153
Total assets	<u>\$ 26,254</u>	<u>\$ 55,070</u>	<u>\$ 29,895</u>	<u>\$ 3,367</u>	<u>\$ 114,586</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,220	\$ 354	\$ 354	\$ -	\$ 1,928
Accrued expenses	1,192	510	128	-	1,830
Due to other funds	3,238	19,593	1,105	-	23,936
Total liabilities	<u>5,650</u>	<u>20,457</u>	<u>1,587</u>	<u>-</u>	<u>27,694</u>
<b>Fund balances:</b>					
Unreserved:					
General fund	20,604	-	-	-	20,604
Special revenue funds	-	34,613	28,308	3,367	66,288
Total fund balances	<u>20,604</u>	<u>34,613</u>	<u>28,308</u>	<u>3,367</u>	<u>86,892</u>
Total liabilities and fund balances	<u>\$ 26,254</u>	<u>\$ 55,070</u>	<u>\$ 29,895</u>	<u>\$ 3,367</u>	<u>\$ 114,586</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF PRESCOTT

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2006

**Total fund balances for governmental funds** \$ 86,892

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	165,792	
Less accumulated depreciation	<u>(25,394)</u>	140,398

Interest payable in the governmental activities are not payable from  
current resources and therefore are not reported in the governmental  
funds. (1,288)

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Bond payable	<u>(60,000)</u>
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**Net assets of governmental activities** \$ 166,002

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<i>Major Funds</i>			<i>Nonmajor Governmental Fund</i>	<i>Total Governmental Funds</i>
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Park Fund</i>	
<b>Revenues:</b>					
Property taxes	\$ 18,549	\$ -	\$ -	\$ -	\$ 18,549
State grants	24,656	38,125	9,873	-	72,654
Interest and rents	46	125	11	10	192
Other revenue	1,245	227	-	-	1,472
Total revenues	44,496	38,477	9,884	10	92,867
<b>Expenditures:</b>					
Current					
General government	18,729	-	-	-	18,729
Public works	12,609	8,090	3,420	-	24,119
Recreation and culture	4,107	-	-	-	4,107
Other	3,942	-	-	-	3,942
Capital outlay	2,621	-	-	-	2,621
Debt service					
Principal	-	4,269	10,731	-	15,000
Interest and fees	-	984	2,473	-	3,457
Total expenditures	42,008	13,343	16,624	-	71,975
Excess (deficiency) of revenues over expenditures	2,488	25,134	(6,740)	10	20,892
<b>Other financing sources (uses):</b>					
Transfers in	-	-	9,531	-	9,531
Transfers out	-	(9,531)	-	-	(9,531)
Total other financing sources (uses)	-	(9,531)	9,531	-	-
Net change in fund balances	2,488	15,603	2,791	10	20,892
Fund balances, beginning of year	18,116	19,010	25,517	3,357	66,000
Fund balances, end of year	\$ 20,604	\$ 34,613	\$ 28,308	\$ 3,367	\$ 86,892

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF PRESCOTT

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

**Net change in fund balances - total governmental funds** \$ 20,892

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,576	
Less depreciation expense	<u>(4,844)</u>	(2,268)

Repayments of principal on notes and bonds is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 15,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on notes and bonds payable	<u>306</u>
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**Change in net assets of governmental activities** \$ 33,930

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## *PROPRIETARY FUND – ENTERPRISE FUND*

### STATEMENT OF NET ASSETS

June 30, 2006

	<u><i>Sewer Fund</i></u>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 8,273
Accounts receivable	32,037
Due from other funds	<u>4,783</u>
Total current assets	<u>45,093</u>
<b><i>Noncurrent assets:</i></b>	
Restricted cash and cash equivalents	6,615
Capital assets:	
Nondepreciable capital assets	19,073
Depreciable capital assets, net	<u>1,539,490</u>
Total noncurrent assets	<u>1,565,178</u>
Total assets	<u>1,610,271</u>
<b>Liabilities</b>	
<b><i>Current liabilities:</i></b>	
Accounts payable	8,017
Accrued interest payable	2,393
Current portion of long-term debt	<u>3,000</u>
Total current liabilities	<u>13,410</u>
<b><i>Noncurrent liabilities:</i></b>	
Long-term debt	<u>337,000</u>
Total noncurrent liabilities	<u>337,000</u>
Total liabilities	<u>350,410</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	1,218,563
Restricted for:	
Debt service	6,615
Unrestricted	<u>34,683</u>
Total net assets	<u>\$ 1,259,861</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## *PROPRIETARY FUND – ENTERPRISE FUND*

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Year Ended June 30, 2006

	<i><u>Sewer Fund</u></i>
<b>Operating revenues:</b>	
Charges for services	\$ 45,030
Penalties	1,640
Other	<u>1,440</u>
Total operating revenues	<u>48,110</u>
<b>Operating expenses:</b>	
Personnel	15,358
Fringe benefits	397
Supplies	4,049
Contracted services	40,207
Telephone	1,510
Printing and publishing	1,554
Insurance	100
Utilities	5,635
Equipment rental	-
Other services and supplies	5,333
Depreciation	<u>21,965</u>
Total operating expenses	<u>98,354</u>
Operating income (loss)	<u>(50,244)</u>
<b>Non-operating revenues:</b>	
Federal grant	290,000
Interest income	79
Interest expense	<u>(10,691)</u>
Total non-operating revenues	<u>279,388</u>
Net income (loss)	229,144
Net assets, beginning of year	<u>1,030,717</u>
Net assets, end of year	<u>\$ 1,259,861</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## PROPRIETARY FUND – ENTERPRISE FUND

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	<i><b>Sewer Fund</b></i>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 24,566
Cash payments to employees	(15,358)
Cash payments to suppliers for goods and services	<u>(80,779)</u>
Net cash used by operating activities	<u>(71,571)</u>
<b>Cash flows from capital and related financing activities:</b>	
Federal grant	290,000
Acquisition and construction of capital assets	(581,723)
Proceeds from bonds	343,000
Principal payments on bonds	(3,000)
Interest paid	<u>(10,691)</u>
Net cash provided by capital and related financing activities	<u>37,586</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>79</u>
Net cash provided by investing activities	<u>79</u>
Net increase (decrease) in cash and cash equivalents	(33,906)
Cash and cash equivalents, beginning of year	<u>48,794</u>
Cash and cash equivalents, end of year	<u><u>\$ 14,888</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	\$ (50,244)
Adjustments:	
Depreciation	21,965
Change in assets and liabilities:	
Accounts receivable	(18,761)
Due from other funds	(4,783)
Accounts payable	(21,779)
Accrued expenses	(80)
Due to other funds	(282)
Accrued interest payable	<u>2,393</u>
Net cash used by operating activities	<u><u>\$ (71,571)</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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*FIDUCIARY FUND – AGENCY FUND*  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	<i><b>Payroll Fund</b></i>
<b>Assets:</b>	
Cash and cash equivalents	<u>\$ 20,057</u>
<b>Liabilities:</b>	
Accounts payable	<u>20,057</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*



## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of Prescott conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units, if any. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Village's reporting entity.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements, the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Local Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Restricted Assets** – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid expenses in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

that are immovable and of value only to the government) are capitalized if acquired after July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Equipment	5-15 years

**Compensated Absences** – It is the Village’s policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, there is no liability shown in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Properties are assessed as of December 31. The related property taxes are levied on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

The 2005 taxable valuation of the Village totaled \$3,467,535, on which ad valorem taxes levied consisted of 5.3217 mills for the Village’s operating purposes.

The delinquent real property taxes of the Village are purchased by Ogemaw County.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption by the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$86,768 of bank deposits (checking and savings accounts), fully covered by federal depository insurance. At year end, the Village had no investments.

# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

### NOTE 4: CAPITAL ASSETS

Capital assets activity of the Village's governmental and business-type activities was as follows:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 74,327	\$ -	\$ -	\$ 74,327
Depreciable capital assets				
Buildings and improvements	31,980	2,576	-	34,556
Vehicles	44,613	-	-	44,613
Equipment	12,296	-	-	12,296
Subtotal depreciable capital assets	88,889	2,576	-	91,465
Accumulated depreciation	(20,550)	(4,844)	-	(25,394)
Depreciable capital assets, net	68,339	(2,268)	-	66,071
Governmental activities, capital assets, net	<u>\$ 142,666</u>	<u>\$ (2,268)</u>	<u>\$ -</u>	<u>\$ 140,398</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 19,073	\$ -	\$ -	\$ 19,073
Construction in progress - treatment plant	79,521	580,595	-	660,116
Subtotal nondepreciable capital assets	98,594	580,595	-	679,189
Depreciable capital assets				
Sewer system	1,079,930	-	-	1,079,930
Equipment	-	4,000	-	4,000
Subtotal depreciable capital assets	1,079,930	4,000	-	1,083,930
Accumulated depreciation	(182,591)	(21,965)	-	(204,556)
Depreciable capital assets, net	897,339	(17,965)	-	879,374
Business-type activities, capital assets, net	<u>\$ 995,933</u>	<u>\$ 562,630</u>	<u>\$ -</u>	<u>\$ 1,558,563</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
Public works	\$ 4,844
Total governmental activities	<u>\$ 4,844</u>
<b>Business-type activities:</b>	
Sewer	\$ 21,965
Total business-type activities	<u>\$ 21,965</u>

# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

### NOTE 5: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term liabilities at June 30, 2006 consisted of the following:

<i>Types of Indebtedness</i>	<i>Maturity</i>	<i>Interest Rates</i>	<i>Annual Principal Installments</i>	<i>Original Issue Amount</i>	<i>Outstanding at Year-End</i>
<b><u>Governmental Activities</u></b>					
<b><i>General Obligation Bonds:</i></b>					
2000 Issue - Transportation Fund Bond	8/1/00-8/1/09	4.1-5.3%	\$10,000-15,000	\$ 130,000	\$ 60,000
<b><u>Business-type Activities</u></b>					
<b><i>Revenue Bonds:</i></b>					
2006 Issue - USDA Revenue Bond	4/1/06-4/1/45	4.125%	\$2,000-17,000	\$ 234,000	\$ 232,000
2006 Issue - USDA Revenue Bond	4/1/06-4/1/45	4.125%	\$1,000-12,000	\$ 109,000	\$ 108,000

The following is a summary of long-term liabilities transactions for the year ended June 30, 2006:

	<i>July 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>	<i>June 30, 2006</i>
<b>Governmental activities:</b>					
General Obligation Bonds:					
2000 Issue	\$ 75,000	\$ -	\$ (15,000)	\$ 60,000	\$ 15,000
Total governmental activities					
- long-term liabilities	\$ 75,000	\$ -	\$ (15,000)	\$ 60,000	\$ 15,000
<b>Business-type activities:</b>					
Revenue Bonds:					
2005 Issue, Series 2005A	\$ -	\$ 234,000	\$ (2,000)	\$ 232,000	\$ 2,000
2005 Issue, Series 2005B	-	109,000	(1,000)	108,000	1,000
Total business-type activities					
- long-term liabilities	\$ -	\$ 343,000	\$ (3,000)	\$ 340,000	\$ 3,000



# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,000	\$ 2,715	\$ 17,715	\$ 3,000	\$ 14,026	\$ 17,026
2008	15,000	1,958	16,958	3,000	13,902	16,902
2009	15,000	1,185	16,185	4,000	13,778	17,778
2010	15,000	398	15,398	4,000	13,614	17,614
2011	-	-	-	4,000	13,448	17,448
2012-2016	-	-	-	21,000	64,762	85,762
2017-2021	-	-	-	30,000	59,610	89,610
2022-2026	-	-	-	34,000	53,170	87,170
2027-2031	-	-	-	43,000	45,498	88,498
2032-2036	-	-	-	53,000	35,850	88,850
2037-2041	-	-	-	65,000	23,884	88,884
2042-2045	-	-	-	76,000	8,708	84,708
	<u>\$ 60,000</u>	<u>\$ 6,256</u>	<u>\$ 66,256</u>	<u>\$ 340,000</u>	<u>\$ 360,250</u>	<u>\$ 700,250</u>

## NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Receivables:</b>		
Accounts	\$ 7,647	\$ 32,037
Intergovernmental	15,955	-
Total receivables	<u>\$ 23,602</u>	<u>\$ 32,037</u>
<b>Accounts payable and accrued expenses:</b>		
Accounts	\$ 1,928	\$ 8,017
Payroll and related liabilities	1,830	-
Interest	1,288	2,393
Total accounts payable and accrued expenses	<u>\$ 5,046</u>	<u>\$ 10,410</u>

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

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### NOTE 7: INTERFUND BALANCES AND TRANSFERS

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The composition of interfund receivable and payable balances at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 3,238
Local Street Fund	Major Street Fund	19,153
Sewer Fund	Major Street Fund	440
Sewer Fund	Local Street Fund	1,105
		<u>\$ 23,936</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Major Street Fund	Local Street Fund	<u>\$ 9,531</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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### NOTE 8: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village manages all of its loss risks with the purchase of commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### Pension Plan

The Village currently does not have a pension plan.

#### Post Employment Benefits

The Village currently does not provide any post employment benefits.

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF PRESCOTT

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under)</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	<i><b>Final Budget</b></i>
<b>Revenues:</b>				
Property taxes	\$ 18,453	\$ 18,453	\$ 18,549	\$ 96
State grants	25,000	25,000	24,656	(344)
Charges for services	600	600	-	(600)
Interest and rents	375	375	46	(329)
Other revenue	-	-	1,245	1,245
	<u>44,428</u>	<u>44,428</u>	<u>44,496</u>	<u>68</u>
Total revenues				
<b>Expenditures:</b>				
Current				
General government	17,400	18,800	18,729	(71)
Public works	9,900	12,700	12,609	(91)
Recreation and culture	3,500	4,200	4,107	(93)
Other	-	4,000	3,942	(58)
Capital outlay	-	2,700	2,621	(79)
	<u>30,800</u>	<u>42,400</u>	<u>42,008</u>	<u>(392)</u>
Total expenditures				
Net change in fund balance	13,628	2,028	2,488	460
Fund balance, beginning of year	<u>18,116</u>	<u>18,116</u>	<u>18,116</u>	-
Fund balance, end of year	<u>\$ 31,744</u>	<u>\$ 20,144</u>	<u>\$ 20,604</u>	<u>\$ 460</u>

# VILLAGE OF PRESCOTT

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## *SPECIAL REVENUE FUND – MAJOR STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under) Final Budget</i>
<b>Revenues:</b>				
State grants	\$ 35,000	\$ 35,000	\$ 38,125	\$ 3,125
Interest and rents	750	750	125	(625)
Other revenue	-	-	227	227
	<u>35,750</u>	<u>35,750</u>	<u>38,477</u>	<u>2,727</u>
Total revenues				
<b>Expenditures:</b>				
Current				
Public works	23,250	23,250	8,090	(15,160)
Debt service				
Principal	4,365	4,365	4,269	(96)
Interest and fees	984	984	984	-
	<u>28,599</u>	<u>28,599</u>	<u>13,343</u>	<u>(15,256)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>7,151</u>	<u>7,151</u>	<u>25,134</u>	<u>17,983</u>
<b>Other financing uses:</b>				
Transfers out	-	9,531	9,531	-
	<u>-</u>	<u>9,531</u>	<u>9,531</u>	<u>-</u>
Total other financing uses				
Net change in fund balance	7,151	(2,380)	15,603	17,983
Fund balance, beginning of year	<u>19,010</u>	<u>19,010</u>	<u>19,010</u>	<u>-</u>
Fund balance, end of year	<u>\$ 26,161</u>	<u>\$ 16,630</u>	<u>\$ 34,613</u>	<u>\$ 17,983</u>

# VILLAGE OF PRESCOTT

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## *SPECIAL REVENUE FUND – LOCAL STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under)</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	<i><b>Final Budget</b></i>
<b>Revenues:</b>				
State grants	\$ 8,175	\$ 8,175	\$ 9,873	\$ 1,698
Interest and rents	150	150	11	(139)
Total revenues	8,325	8,325	9,884	1,559
<b>Expenditures:</b>				
Current				
Public works	500	3,500	3,420	(80)
Debt service				
Principal	10,976	10,976	10,731	(245)
Interest and fees	2,473	2,473	2,473	-
Total expenditures	13,949	16,949	16,624	(325)
Excess (deficiency) of revenues over expenditures	(5,624)	(8,624)	(6,740)	1,884
<b>Other financing sources:</b>				
Transfers in	-	9,531	9,531	-
Total other financing sources	-	9,531	9,531	-
Net change in fund balance	(5,624)	907	2,791	1,884
Fund balance, beginning of year	25,517	25,517	25,517	-
Fund balance, end of year	<u>\$ 19,893</u>	<u>\$ 26,424</u>	<u>\$ 28,308</u>	<u>\$ 1,884</u>

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF PRESCOTT

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2006

***Current taxes:***

Property taxes	\$ 18,549
	<u>18,549</u>

***State grants:***

State revenue sharing - sales tax	24,656
	<u>24,656</u>

***Interest and rents:***

Interest	46
	<u>46</u>

***Other revenue:***

Reimbursements	1,237
Refunds and rebates	8
	<u>1,245</u>

Total revenues	<u>\$ 44,496</u>
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# VILLAGE OF PRESCOTT

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2006

**General Government:**

*Council:*

Personnel	\$ 3,930
Fringe benefits	144
	<u>4,074</u>

*Clerk:*

Personnel	1,000
Fringe benefits	55
Supplies	65
	<u>1,120</u>

*Audit:*

Contracted services	3,135
	<u>3,135</u>

*Administration:*

Supplies	27
Telephone	678
Other	1,269
	<u>1,974</u>

*Treasurer:*

Personnel	1,000
Fringe benefits	55
Supplies	515
Contracted services	661
Other	100
	<u>2,331</u>

*Buildings and Grounds:*

Personnel	1,168
Fringe benefits	42
Supplies	2,010
Insurance	544
Utilities	1,176
Repairs and maintenance	211
Other	570
	<u>5,721</u>

*Attorney:*

Contracted services	374
	<u>374</u>

Total general government	<u>18,729</u>
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# VILLAGE OF PRESCOTT

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2006

**Public Works:**

*Department of Public Works:*

Personnel	\$ 1,425
Fringe benefits	71
Supplies	2,103
Repairs and maintenance	1,316
	<u>4,915</u>

*Street Lighting:*

Utilities	7,694
	<u>7,694</u>

Total public works	<u>12,609</u>
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**Recreation and Culture:**

*Parks and Recreation Department:*

Personnel	2,231
Fringe benefits	82
Supplies	55
Contracted services	248
	<u>2,616</u>

*Library:*

Utilities	485
Repairs and maintenance	29
Other	977
	<u>1,491</u>

Total recreation and culture	<u>4,107</u>
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**Other:**

Insurance	3,942
	<u>3,942</u>

Total other	<u>3,942</u>
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**Capital Outlay:**

General government	2,576
Public works	45
	<u>2,621</u>

Total capital outlay	<u>2,621</u>
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Total expenditures	<u>\$ 42,008</u>
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# VILLAGE OF PRESCOTT

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## *FIDUCIARY FUND – AGENCY FUND*

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2006

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<b><u>Payroll Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 5,895</u>	<u>\$ 52,203</u>	<u>\$ 38,041</u>	<u>\$ 20,057</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 5,895</u>	<u>\$ 52,203</u>	<u>\$ 38,041</u>	<u>\$ 20,057</u>

# VILLAGE OF PRESCOTT

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2006

### Transportation Bond Fund

Issued Dated August 1, 2000 in the amount of \$ 130,000

Less: Principal paid in prior years (55,000)  
Principal paid in current year (15,000)

Balance payable at June 30, 2006 \$ 60,000

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>August 1</u></i>	<i><u>Interest due</u></i> <i><u>August 1</u></i>	<i><u>Interest due</u></i> <i><u>February 1</u></i>	<i><u>Total</u></i>
2007	5.00%	\$ 15,000	\$ 1,545	\$ 1,170	\$ 17,715
2008	5.10%	15,000	1,170	788	16,958
2009	5.20%	15,000	787	398	16,185
2010	5.30%	<u>15,000</u>	<u>397</u>	<u>-</u>	<u>15,397</u>
		<u>\$ 60,000</u>	<u>\$ 3,899</u>	<u>\$ 2,356</u>	<u>\$ 66,255</u>

Note: Major Street Fund is obligated for 28.4615% and Local Street Fund is obligated for 71.5385%

# VILLAGE OF PRESCOTT

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2006

#### Sanitary Sewerage System Revenue Bonds, Series 2005A

Issued Dated February 23, 2006 in the amount of	\$	234,000
Less: Principal paid in prior years		-
Principal paid in current year		(2,000)
Balance payable at June 30, 2006	\$	<u>232,000</u>

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Principal due</u></i> <i><u>April 1</u></i>	<i><u>Total Annual</u></i> <i><u>Requirement</u></i>
2007	4.125%	\$ 4,785	\$ 4,785	\$ 2,000	\$ 11,570
2008	4.125%	4,744	4,744	2,000	11,488
2009	4.125%	4,703	4,703	3,000	12,406
2010	4.125%	4,641	4,641	3,000	12,282
2011	4.125%	4,579	4,579	3,000	12,158
2012	4.125%	4,517	4,517	3,000	12,034
2013	4.125%	4,455	4,455	3,000	11,910
2014	4.125%	4,393	4,393	3,000	11,786
2015	4.125%	4,331	4,331	3,000	11,662
2016	4.125%	4,269	4,269	3,000	11,538
2017	4.125%	4,208	4,208	4,000	12,416
2018	4.125%	4,125	4,125	4,000	12,250
2019	4.125%	4,043	4,043	4,000	12,086
2020	4.125%	3,960	3,960	4,000	11,920
2021	4.125%	3,878	3,878	4,000	11,756
2022	4.125%	3,795	3,795	4,000	11,590
2023	4.125%	3,713	3,713	5,000	12,426
2024	4.125%	3,609	3,609	5,000	12,218
2025	4.125%	3,506	3,506	5,000	12,012
2026	4.125%	3,403	3,403	5,000	11,806
2027	4.125%	3,300	3,300	5,000	11,600
2028	4.125%	3,197	3,197	6,000	12,394
2029	4.125%	3,073	3,073	6,000	12,146
2030	4.125%	2,949	2,949	6,000	11,898
2031	4.125%	2,826	2,826	6,000	11,652
2032	4.125%	2,702	2,702	7,000	12,404
2033	4.125%	2,558	2,558	7,000	12,116
2034	4.125%	2,413	2,413	7,000	11,826
2035	4.125%	2,269	2,269	8,000	12,538
2036	4.125%	2,104	2,104	8,000	12,208
2037	4.125%	1,939	1,939	8,000	11,878
2038	4.125%	1,774	1,774	9,000	12,548
2039	4.125%	1,588	1,588	9,000	12,176
2040	4.125%	1,403	1,403	9,000	11,806
2041	4.125%	1,217	1,217	10,000	12,434
2042	4.125%	1,011	1,011	10,000	12,022
2043	4.125%	804	804	11,000	12,608
2044	4.125%	578	578	11,000	12,156
2045	4.125%	351	351	17,000	17,702
		<u>\$ 121,713</u>	<u>\$ 121,713</u>	<u>\$ 232,000</u>	<u>\$ 475,426</u>

# VILLAGE OF PRESCOTT

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2006

#### Sanitary Sewerage System Revenue Bonds, Series 2005B

Issued Dated July 1, 2005 in the amount of	\$	109,000
Less: Principal paid in prior years		-
Principal paid in current year		(1,000)
Balance payable at June 30, 2006	\$	<u>108,000</u>

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Principal due</u></i> <i><u>April 1</u></i>	<i><u>Total Annual</u></i> <i><u>Requirement</u></i>
2007	4.125%	\$ 2,228	\$ 2,228	\$ 1,000	\$ 5,456
2008	4.125%	2,207	2,207	1,000	5,414
2009	4.125%	2,186	2,186	1,000	5,372
2010	4.125%	2,166	2,166	1,000	5,332
2011	4.125%	2,145	2,145	1,000	5,290
2012	4.125%	2,124	2,124	1,000	5,248
2013	4.125%	2,104	2,104	1,000	5,208
2014	4.125%	2,083	2,083	1,000	5,166
2015	4.125%	2,063	2,063	1,000	5,126
2016	4.125%	2,042	2,042	2,000	6,084
2017	4.125%	2,001	2,001	2,000	6,002
2018	4.125%	1,959	1,959	2,000	5,918
2019	4.125%	1,918	1,918	2,000	5,836
2020	4.125%	1,877	1,877	2,000	5,754
2021	4.125%	1,836	1,836	2,000	5,672
2022	4.125%	1,794	1,794	2,000	5,588
2023	4.125%	1,753	1,753	2,000	5,506
2024	4.125%	1,712	1,712	2,000	5,424
2025	4.125%	1,671	1,671	2,000	5,342
2026	4.125%	1,629	1,629	2,000	5,258
2027	4.125%	1,588	1,588	2,000	5,176
2028	4.125%	1,547	1,547	3,000	6,094
2029	4.125%	1,485	1,485	3,000	5,970
2030	4.125%	1,423	1,423	3,000	5,846
2031	4.125%	1,361	1,361	3,000	5,722
2032	4.125%	1,299	1,299	3,000	5,598
2033	4.125%	1,238	1,238	3,000	5,476
2034	4.125%	1,176	1,176	3,000	5,352
2035	4.125%	1,114	1,114	3,000	5,228
2036	4.125%	1,052	1,052	4,000	6,104
2037	4.125%	969	969	4,000	5,938
2038	4.125%	887	887	4,000	5,774
2039	4.125%	804	804	4,000	5,608
2040	4.125%	722	722	4,000	5,444
2041	4.125%	639	639	4,000	5,278
2042	4.125%	557	557	5,000	6,114
2043	4.125%	454	454	5,000	5,908
2044	4.125%	351	351	5,000	5,702
2045	4.125%	248	248	12,000	12,496
		<u>\$ 58,412</u>	<u>\$ 58,412</u>	<u>\$ 108,000</u>	<u>\$ 224,824</u>

BERTHIAUME  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Prescott, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Prescott, as of and for the year ended June 30, 2006, which collectively comprise the Village of Prescott's basic financial statements and have issued our report thereon dated September 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village of Prescott's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Prescott's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*  
Berthiaume & Company  
Certified Public Accountants

September 26, 2006



September 26, 2006

To The Village Council  
Village of Prescott

We have audited the financial statements of the Village of Prescott for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Village of Prescott in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.



For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Prescott are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Prescott during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated September 26, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants